

Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana
December 31, 2011

Table of Contents

Independent Auditor's Report	Page 3
Financial Statements	
Statements of Financial Position	Page 4
Statements of Activities	Page 5
Statements of Cash Flows	Page 6
Notes to Financial Statements	Page 7
Independent Auditor's Report on Additional Information	Page 19
Schedule of Changes in Unrestricted Assets By Components	Page 20
Schedule of Changes in Temporarily Restricted Net Assets by Components	Page 21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	Page 22
Schedule of Findings and Questioned Costs	Page 24
Schedule of Prior Year Findings and Questioned Costs	Page 25

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

June 20, 2012

Independent Auditor's Report

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the

Louisiana Art and Science Museum, Inc.
(A Louisiana Non-Profit Corporation)
Baton Rouge, Louisiana

as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Louisiana Art and Science Museum, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Louisiana Art and Science Museum, Inc.'s 2010 financial statements and, in our report dated June 24, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Art and Science Museum, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2012, on our consideration of the Louisiana Art and Science Museum, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Louisiana Art and Science Museum, Inc.
Statements of Financial Position
December 31, 2011 With Comparative Totals at December 31, 2010

A s s e t s		<u>2011</u>	<u>2010</u>
Assets			
Cash and cash equivalents		\$ 226,832	\$ 373,875
Accounts and grants receivable		47,719	64,123
Inventory		27,365	26,643
Prepaid expenses		73,664	55,555
Contributions receivable		196,228	192,456
Contributions receivable - Endowment		—	50,000
Investments		815,299	957,885
Investments - Endowment		2,709,704	2,782,780
Furniture and equipment		1,387,981	1,364,600
Leasehold improvements		1,296,526	1,877,411
Accumulated depreciation and amortization		(1,822,474)	(2,563,525)
Beneficial interest in investments held by the Baton Rouge Area Foundation		<u>617,391</u>	<u>623,748</u>
Total assets		<u><u>\$5,576,235</u></u>	<u><u>\$5,805,551</u></u>
Liabilities and Net Assets			
Liabilities			
Accounts payable		\$ 60,134	\$ 73,101
Accrued payroll and other liabilities		<u>154,476</u>	<u>135,818</u>
Total liabilities		<u>214,610</u>	<u>208,919</u>
Net Assets			
Unrestricted			
Designated by Board of Trustees		1,513,916	1,436,595
Undesignated		<u>60,091</u>	<u>60,091</u>
		1,574,007	1,496,686
Temporarily restricted		460,522	643,418
Permanently restricted		<u>3,327,096</u>	<u>3,456,528</u>
Total net assets		<u>5,361,625</u>	<u>5,596,632</u>
Total liabilities and net assets		<u><u>\$5,576,235</u></u>	<u><u>\$5,805,551</u></u>

The accompanying notes are an integral part of these statements.

Louisiana Art and Science Museum, Inc.
Statements of Activities
Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Totals</u>
Revenues, Gains and Other Support					
Government Appropriations					
East Baton Rouge City-Parish	\$ 842,000	\$ —	\$ —	\$ 842,000	\$ 842,000
State of Louisiana	12,500	—	—	12,500	2,500
Admissions	449,665	—	—	449,665	502,685
Memberships	139,225	—	—	139,225	134,365
Contributions	149,575	263,772	—	413,347	573,621
Grants	162,187	—	—	162,187	227,315
Investment income	28,660	142,616	(129,432)	41,844	429,033
Other revenue	293,670	—	—	293,670	304,711
Net assets released from restrictions	<u>589,284</u>	<u>(589,284)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>2,666,766</u>	<u>(182,896)</u>	<u>(129,432)</u>	<u>2,354,438</u>	<u>3,016,230</u>
Expenses					
Programs					
Museum	846,265	—	—	846,265	784,420
Planetarium	861,985	—	—	861,985	811,204
Supporting services					
Fund raising	149,824	—	—	149,824	165,121
General and administrative	<u>731,371</u>	<u>—</u>	<u>—</u>	<u>731,371</u>	<u>713,292</u>
Total expenses	<u>2,589,445</u>	<u>—</u>	<u>—</u>	<u>2,589,445</u>	<u>2,474,037</u>
Increase (Decrease) in Net Assets	77,321	(182,896)	(129,432)	(235,007)	542,193
Net Assets					
Beginning of year	<u>1,496,686</u>	<u>643,418</u>	<u>3,456,528</u>	<u>5,596,632</u>	<u>5,054,439</u>
End of year	<u>\$1,574,007</u>	<u>\$460,522</u>	<u>\$3,327,096</u>	<u>\$5,361,625</u>	<u>\$5,596,632</u>

The accompanying notes are an integral part of these statements.

Louisiana Art and Science Museum, Inc.
Statements of Cash Flows
Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ (235,007)	\$ 542,193
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Realized/Unrealized investment (gain) loss	—	(112,325)
Realized/Unrealized investment (gain) loss attributable to permanently restricted assets	129,432	(255,099)
Amortization and depreciation	165,079	166,785
Change in value of contributions receivable	(3,772)	(4,659)
(Increase) Decrease in assets:		
Accounts and grants receivable	16,404	(2,269)
Contributions receivable	—	(192,456)
Inventory	(722)	(684)
Prepaid expenses	(18,109)	(46,331)
Increase (Decrease) in liabilities:		
Accounts payable	(12,969)	(6,750)
Accrued liabilities	<u>18,658</u>	<u>(36,556)</u>
Net cash provided by operating activities	<u>58,994</u>	<u>51,849</u>
Cash Flows From Investing Activities		
Payments for equipment and leasehold improvements	(348,625)	(26,753)
Proceeds from investment sales and maturities	1,445,739	1,436,386
Purchase of investments	<u>(1,223,719)</u>	<u>(1,775,543)</u>
Net cash used in investing activities	<u>(126,605)</u>	<u>(365,910)</u>
Cash Flows From Financing Activities		
Proceeds from contributions permanently restricted	50,000	50,000
Investment gains (loss) attributable to permanently restricted assets	<u>(129,432)</u>	<u>255,019</u>
Net cash provided by (used in) financing activities	<u>(79,432)</u>	<u>305,019</u>
Net Decrease in Cash and Cash Equivalents	(147,043)	(9,042)
Cash and Cash Equivalents, beginning of year	<u>373,875</u>	<u>382,917</u>
Cash and Cash Equivalents, end of year	<u>\$ 226,832</u>	<u>\$ 373,875</u>

The accompanying notes are an integral part of these statements.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 1-Summary of Significant Accounting Policies

A. Background and Purpose

The Louisiana Art and Science Museum, Inc. (the "Museum") is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity.

The Museum has as its purpose the operation of projects and exhibits, such as the Irene W. Pennington Planetarium, Discovery Depot, Science Station and the Museum's exhibits, devoted to the development of intellectual skills, creative abilities, and the acquisition of knowledge and inspiration of the present and future generations of Louisiana citizens. Revenues are derived primarily from contributed public and governmental support and admissions.

B. Basis of Accounting and Presentation

The accompanying financial statements have been presented on the accrual method of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by the Museum is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Museum have been limited by donors to later periods of time or other specific dates or to specified purposes and primarily consist of the support of Planetarium operating costs and renovation projects, Louisiana Artists Collection Acquisitions, 2012/2011 budget support. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Museum's use of the assets and primarily consist of Planetarium operations and the Equipment Endowment Fund which is invested in perpetuity, with the provision that 5% of end of year market value is expendable to support the Planetarium's annual operations and replace its equipment in the future. Also, funds held by the Baton Rouge Area Foundation (see Note 11) are permanently restricted. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as unrestricted.

C. Contributed Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 1-Summary of Significant Accounting Policies (Continued)

C. Contributed Support (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts will be included in contribution revenue.

D. Contributed Facilities and Services

The Museum occupies without charge certain premises located in government provided buildings. The value of this service is not reflected in these statements since there is no clearly measurable basis of the rental value of the historical building.

A number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally in fund raising and educational programs. The value of this contributed time is not reflected in these statements because the Museum does not control the performance of these volunteers.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

F. Concentrations

The Museum operates its activities exclusively in Baton Rouge, Louisiana. Although its programs are varied, it is dependent on the economic condition of the Baton Rouge area to support its activities.

G. Investments

Investments in debt and equity securities are stated at fair values. Donations of investments are recorded at fair value at the date of donation. Investment income, including gains and losses on investments, interest and dividends, is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

The Museum adopted the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board - Accounting Standards Codification (FASB-ASC). Under the Fair Value Measurements and Disclosures Topic of the FASB-ASC, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosures Topic of the FASB-ASC establishes a hierarchal framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 1-Summary of Significant Accounting Policies (Continued)

G. Investments (Continued)

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs are inputs that reflect the Museum's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

H. Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

I. Property and Equipment

Property and equipment are reported at historical costs, except those arising from donations which are recorded at current values at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets according to the following:

Furniture and equipment	3 - 10 years
Leasehold improvements	10 years

The Museum's policy is to capitalize betterments and renewals but to expense all maintenance and repairs when incurred.

Collections acquired by the Museum are not included in property and equipment. They are captioned on the statement of financial position with no dollar value, as they are not required to be capitalized. A further description of the collections is presented in Note 10.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 1-Summary of Significant Accounting Policies (Continued)

J. Income Taxes

The Louisiana Art and Science Museum, Inc. has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements. The Museum has been classified as an organization other than a private foundation.

The Museum adopted provisions of FASB ASC 740, relating to uncertain income tax positions. These standards require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Museum's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

With few exceptions, the statute of limitations for the examination of the Museum's income tax returns is generally three years from the due date of the tax returns including extensions. The tax form 990 is prepared on a calendar year basis and the years open for assessment are the years ending on or after December 31, 2008.

K. Advertising

The Museum uses advertising to promote its programs among the community it serves. The production costs of advertising are expensed as incurred. During 2011 and 2010, advertising costs totaled \$48,716 and \$68,561, respectively.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2-Contributions Receivable

Included in contributions receivable are the following unconditional promises to give:

	<u>2011</u>	<u>2010</u>
Unconditional promises to give before amortized discount:		
Planetarium Equipment Endowment	\$ —	\$ 50,000
Planetarium renovation project	200,000	200,000
Less: unamortized discount	<u>3,772</u>	<u>7,544</u>
Net unconditional promises to give	<u>\$196,228</u>	<u>\$242,456</u>
Amounts due in:		
Less than one year	\$150,000	\$150,000
One to five years	<u>50,000</u>	<u>100,000</u>
Total	<u>\$200,000</u>	<u>\$250,000</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 2-Contributions Receivable (Continued)

The rate applied to discount these promises to give was 4% in 2011 and 2010.

Management considers all receivables to be fully collectible and no allowance for uncollectible amounts is required.

Note 3-Investments

Following is a summary of investments classified by major type and by net asset classification:

	<u>2011</u>	<u>2010</u>
Common and preferred stocks	\$1,386,062	\$1,702,928
U.S. Government bonds	498,395	470,444
Corporate bonds	291,010	265,875
Mutual funds - equity securities	418,968	278,833
Mutual funds - debt securities	566,657	686,069
Real estate investment trusts	186,555	164,370
ETF - Commodities, other	<u>177,356</u>	<u>172,146</u>
 Total	 <u><u>\$3,525,003</u></u>	 <u><u>\$3,740,665</u></u>
 Unrestricted portion	 \$ 672,683	 \$ 811,423
Temporarily restricted portion	142,616	146,462
Endowment portion	<u>2,709,704</u>	<u>2,782,780</u>
 Total	 <u><u>\$3,525,003</u></u>	 <u><u>\$3,740,665</u></u>

Investment activity is detailed as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$118,894	\$102,201
Realized/unrealized investment gains (loss)	(33,385)	367,424
Investment management fees	<u>(43,665)</u>	<u>(40,592)</u>
	 <u><u>\$ 41,844</u></u>	 <u><u>\$429,033</u></u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 4-Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis comprise the following:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Un- observable Inputs (Level 3)	Total
December 31, 2011				
Common and preferred stocks	\$1,386,062	\$ —	\$ —	\$1,386,062
U.S. Government bonds	498,395	—	—	498,395
Corporate bonds	291,010	—	—	291,010
Mutual funds - equity securities	418,968	—	—	418,968
Mutual funds - debt securities	566,657	—	—	566,657
Real estate investment trusts	186,555	—	—	186,555
ETF - Commodities, other	177,356	—	—	177,356
Beneficial interest in investments held by BRAF	<u>—</u>	<u>—</u>	<u>617,391</u>	<u>617,391</u>
	<u>\$3,525,003</u>	<u>\$ —</u>	<u>\$617,391</u>	<u>\$4,142,394</u>
December 31, 2010				
Common and preferred stocks	\$1,702,928	\$ —	\$ —	\$1,702,928
U.S. Government bonds	470,444	—	—	470,444
Corporate bonds	265,875	—	—	265,875
Mutual funds - equity securities	278,833	—	—	278,833
Mutual funds - debt securities	686,069	—	—	686,069
Real estate investment trusts	164,370	—	—	164,370
ETF - Commodities, other	172,146	—	—	172,146
Beneficial interest in investments held by BRAF	<u>—</u>	<u>—</u>	<u>623,748</u>	<u>623,748</u>
	<u>\$3,740,665</u>	<u>\$ —</u>	<u>\$623,748</u>	<u>\$4,364,413</u>

The following table presents the changes in fair value in Level 3 investments that are measured at fair value on a recurring basis for the years ended December 31, 2011 and 2010:

Beneficial Interest in Investments Held by BRAF	
Balance - December 31, 2009	\$590,128
Unrealized gains	<u>33,628</u>
Balance - December 31, 2010	623,756
Unrealized losses	<u>(6,357)</u>
Balance - December 31, 2011	<u>\$617,399</u>

Generally, for all investments, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 5-Contributions Income

Contributions which were recognized by the Museum are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Corporate	\$ 73,700	\$163,772	\$115,517	\$317,456
Private	75,375	100,000	35,789	100,000
Other	<u>500</u>	<u>—</u>	<u>200</u>	<u>—</u>
	<u>\$149,575</u>	<u>\$263,772</u>	<u>\$151,506</u>	<u>\$417,456</u>

\$4,659 recognized as contributions to the permanently restricted assets in 2010 represents the changes in the value of contributions receivable.

Note 6-Grants

Further details of grant revenue received by the Museum follows:

	<u>2011</u>	<u>2010</u>
Arts Council of Greater Baton Rouge	\$ 26,240	\$ 32,984
Louisiana Division of the Arts	22,500	34,224
Louisiana Endowment for the Humanities	—	20,830
Community Fund for the Arts	47,042	62,743
U.S. Department of Education	33,207	71,534
NASA	33,198	—
Other	<u>—</u>	<u>5,000</u>
	<u>\$162,187</u>	<u>\$227,315</u>

Note 7-Other Revenue

Other revenue is detailed as follows:

	<u>2011</u>	<u>2010</u>
Fund raising events (net of expenses of \$27,802 and \$19,876)	<u>\$143,594</u>	<u>\$168,067</u>
Workshops, programs and events, less expenses	<u>15,833</u>	<u>14,919</u>
Building use rental	<u>10,042</u>	<u>15,025</u>
Museum shop		
Sales	\$163,802	\$155,162
Less cost of sales	<u>77,328</u>	<u>72,813</u>
	<u>86,474</u>	<u>82,349</u>

(Continued)

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 7-Other Revenue (Continued)

	<u>2011</u>	<u>2010</u>
(Continued)		
Concessions		
Sales	\$ 672	\$ 719
Less cost of sales	<u>1,553</u>	<u>1,431</u>
	<u>(881)</u>	<u>(712)</u>
 Birthday party revenue	 39,703	 39,258
Less birthday party expenses	<u>11,239</u>	<u>14,727</u>
	<u>28,464</u>	<u>24,531</u>
 Miscellaneous	 <u>10,144</u>	 <u>532</u>
 Total	 <u>\$293,670</u>	 <u>\$304,711</u>

Note 8-Endowment Funds

The Museum's endowment consists of two funds to support its Planetarium operations and equipment replacement. These funds are donor restricted. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Museum has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for the Planetarium while maintaining the purchasing power of the endowment assets over the long-term. Accordingly, the investment policy seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risks. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Although, the Museum expects its endowment assets, over time, to produce an average rate of return in excess of 5% annually, actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The donors of the Museum's endowment funds approved appropriation for distributions of 5% of the fund's fair value at year end preceding the year in which the distribution is planned with all investment income and appreciation restricted to the endowment fund.

Endowment fund net asset composition at December 31, 2011 and 2010 are as follows:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Permanently Restricted</u>	<u>Total</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$2,709,704</u>	<u>\$2,709,704</u>	<u>\$2,782,780</u>	<u>\$2,782,780</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 8-Endowment Funds (Continued)

Changes in endowment fund net assets as of December 31, 2011 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$2,782,780	\$2,511,300
Contributions	50,000	50,000
Investment returns	19,540	367,942
Amounts appropriated for expenditures	<u>(142,616)</u>	<u>(146,462)</u>
Endowment net assets, end of year	<u>\$2,709,704</u>	<u>\$2,782,780</u>

Note 9-Beneficial Interest in Investments Held by Others

In the statement of financial position at December 31, 2011 and 2010, the aggregate transfers to a recipient organization, for which the Louisiana Art and Science Museum, Inc. is specified as the beneficiary, amounted to \$617,391 and \$623,748, respectively, and is recorded as a beneficial interest in the investments held by the Baton Rouge Area Foundation. Variance power was not granted to the recipient organization. Amounts are distributed to the Museum quarterly based on 5% of the current market value of the investment account.

Note 10-Museum Collections

The Louisiana Art and Science Museum, Inc., has approximately 4,200 objects in its permanent collection. The collection is varied with holdings in the areas of fine art, crafts, ethnographic artifacts, and natural science.

Objects for the collections are received mainly through donations of the objects and through private donations for the purchase of objects. Some objects are purchased with funds from other earned and unearned revenue sources. Due to the nature of record-keeping and cataloging of the collections, and the intangible value of the objects, it is not feasible to place a dollar value on the collections.

The Museum's stewardship policy is to acquire objects with intrinsic values within the scope of its long range goals. The Museum strives to provide proper conservation measures to protect the objects for posterity and exhibition. If objects are sold, those funds may only be used for future acquisitions to the collection.

Note 11-Restrictions on Net Assets

The composition of the Museum's permanently restricted net assets at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Pennington Planetarium operations endowment	\$2,258,087	\$2,358,288
McMains Planetarium equipment endowment	451,617	474,492
Beneficial Interest in Baton Rouge Area Foundation Agency endowments:		
Science Education	580,450	586,639
Adalie' Brent Memorial	<u>36,942</u>	<u>37,109</u>
Total permanently restricted net assets	<u>\$3,327,096</u>	<u>\$3,456,528</u>

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 11-Restrictions on Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Planetarium operations	\$142,616	\$146,462
2012 budget support	100,000	—
Planetarium renovations	138,406	317,456
LA Artist Collection Acquisition	79,500	79,500
2011 budget support	<u>—</u>	<u>100,000</u>
Total temporarily restricted net assets	<u>\$460,522</u>	<u>\$643,418</u>

Note 12-Functional Expenses

The costs of providing programs and other activities are summarized on a functional basis as follows:

	<u>Programs</u>		<u>Supporting Services</u>			
				<u>General</u>		
	<u>Museum</u>	<u>Planetarium</u>	<u>Fund-</u>	<u>and</u>	<u>2011</u>	<u>2010</u>
			<u>raising</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
Salaries, wages and benefits	\$517,745	\$477,106	\$131,471	\$494,638	\$1,620,960	\$1,568,586
Insurance	10,050	1,500	—	23,553	35,103	34,523
Services and professional fees	92,456	118,916	—	46,513	257,885	205,878
Supplies	25,118	13,855	—	27,731	66,704	58,924
Printing and postage	73,894	28,522	—	11,683	114,099	103,816
Occupancy	41,197	39,418	—	119,014	199,629	208,852
Travel	1,122	2,234	—	1,461	4,817	3,924
Public relations and marketing	64,855	35,183	18,353	6,778	125,169	122,749
Depreciation and amortization	<u>19,828</u>	<u>145,251</u>	<u>—</u>	<u>—</u>	<u>165,079</u>	<u>166,785</u>
	<u>\$846,265</u>	<u>\$861,985</u>	<u>\$149,824</u>	<u>\$731,371</u>	<u>\$2,589,445</u>	<u>\$2,474,037</u>

Note 13-Concentration of Credit Risk

At various times during years 2011 and 2010, cash on deposit with one banking institution exceeded the amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash to minimize this potential risk.

Note 14-Retirement Plan

The Museum maintains a 401(k) qualified retirement plan which covers substantially all full-time employees. Under current provisions of the Plan, which are subject to change, the Museum matches 100% of each eligible employee's contributions, not to exceed 3% of compensation. The Museum's contributions under the Plan for 2011 were \$19,151 and for 2010 were \$19,187.

Louisiana Art and Science Museum, Inc.
Notes to Financial Statements
December 31, 2011

Note 15-Other Matters

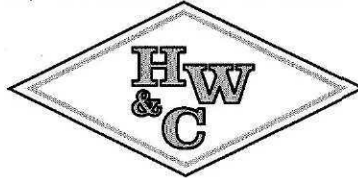
Attendance and admission income were decreased during 2011 primarily due to the temporary closure of the Planetarium for renovations. The renovations were completed at December 31, 2011 and, accordingly should not have such negative effects in the future.

Note 16-Subsequent Events

The Museum evaluated all subsequent events through June 20, 2012, the date the financial statements were available to be issued. As a result, the Museum noted no subsequent events which require adjustment to, or disclosure in, these financial statements.

Additional Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

June 20, 2012

**Independent Auditor's Report
on Additional Information**

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Art and Science Museum, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated June 20, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in unrestricted net assets by components and schedule of changes in temporarily restricted net assets by components is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

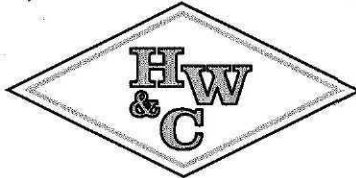
Louisiana Art and Science Museum, Inc.
Schedule of Changes in Unrestricted Net Assets by Components
Year Ended December 31, 2011

	Balance <u>12-31-10</u>	<u>Additions</u>	<u>Deductions</u>	Fund <u>Transfers</u>	Balance <u>12-31-11</u>
Designated					
Museum Collection BRAF match	\$ 79,500	\$ —	\$ —	\$ —	\$ 79,500
Master Planning	17,586	—	—	—	17,586
Education	365,441	—	—	—	365,441
Equipment and improvements	701,986	297,860	165,079	50,766	885,533
Museum improvement	<u>272,082</u>	<u>2,368,906</u>	<u>2,424,366</u>	<u>(50,766)</u>	<u>165,856</u>
	1,436,595	2,666,766	2,589,445	—	1,513,916
Undesignated	<u>60,091</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,091</u>
Totals	<u>\$1,496,686</u>	<u>\$2,666,766</u>	<u>\$2,589,445</u>	<u>\$ —</u>	<u>\$1,574,007</u>

Louisiana Art and Science Museum, Inc.
Schedule of Changes in Temporarily Restricted Net Assets by Components
Year Ended December 31, 2011

	<u>Balance</u> <u>12-31-10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Fund</u> <u>Transfers</u>	<u>Balance</u> <u>12-31-11</u>
Temporarily Restricted					
Louisiana Artists Collection					
Acquisitions	\$ 79,500	\$ —	\$ —	\$ —	\$ 79,500
Planetarium operations	146,462	142,616	146,462	—	142,616
Planetarium renovations	317,456	163,772	342,822	—	138,406
2011 Budget support	100,000	—	100,000	—	—
2012 Budget support	<u>—</u>	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>100,000</u>
Totals	<u>\$643,418</u>	<u>\$406,388</u>	<u>\$589,284</u>	<u>\$ —</u>	<u>\$460,522</u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

June 20, 2012

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Board of Trustees
Louisiana Art and Science Museum, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Art and Science Museum, Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Art and Science Museum, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Art and Science Museum, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Art and Science Museum, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

**Louisiana Art and Science Museum, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Findings - Financial Statement Audit

None.

Louisiana Art and Science Museum, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2011

Findings - Financial Statement Audit

None.